

Livingston Activity Center, Inc.
Walker, Louisiana
Annual Financial Statements

As of and for the Year Then Ended June 30, 2013

Livingston Activity Center, Inc.
Annual Financial Statements
As of and for the Year Ended June 30, 2013
With Supplemental Information Schedules

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Independent Auditor's Report

To the Board of Directors of the
Livingston Activity Center, Inc.
Walker, Louisiana

We have audited the accompanying financial statement of financial position of the Livingston Activity Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Livingston Activity Center, Inc.
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livingston Activity Center, Inc., Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the Livingston Activity Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livingston Activity Center, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

December 19, 2013

Livingston Activity Center, Inc.
Comparative Statement of Financial Position
As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 635,397	\$ 805,976
Investments	50,484	-
Receivables :		
Accounts	55,147	56,785
Other	17,635	10,748
Prepaid and Other	27,853	22,649
Total Current Assets	<u>786,516</u>	<u>896,158</u>
Property, Plant, and Equipment		
Land	205,525	205,525
Construction in Progress	37,929	37,929
Property, Plant and Equipment, Net	322,943	355,926
Total Property, Plant, and Equipment	<u>566,397</u>	<u>599,380</u>
Noncurrent Restricted Assets		
Cash temporarily restricted for Building	<u>138,333</u>	<u>7,370</u>
Total Assets	<u>\$ 1,491,246</u>	<u>\$ 1,502,908</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 739	\$ 1,994
Other Accrued Payables	16,090	16,353
Total Current Liabilities	<u>16,829</u>	<u>18,347</u>
Total Liabilities	<u>16,829</u>	<u>18,347</u>
Net Assets		
Unrestricted	1,336,084	1,334,354
Temporarily Restricted	138,333	150,207
Permanently Restricted	-	-
Total Net Assets	<u>1,474,417</u>	<u>1,484,561</u>
Total Liabilities and Net Assets	<u>\$ 1,491,246</u>	<u>\$ 1,502,908</u>

The accompanying notes are an integral part of these statements.

Livingston Activity Center, Inc.
Comparative Statement of Activities
For the years ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
	<u>2013</u>			<u>2012</u>	
Operating Revenues					
Public Support					
Contributions	\$ 1,130	\$ -	\$ -	\$ 1,130	\$ 7,420
Grants	-	-	-	-	-
Group Home Contracts	-	23,400	-	23,400	32,760
Medicaid	-	453,836	-	453,836	481,811
Other	180	6,877	-	7,057	6,016
Special Funds - Van Fund	-	705	-	705	796
United Way	2,406	-	-	2,406	10,751
Service and Fee Revenue	5,002	-	-	5,002	4,926
Program Income	-	89,521	-	89,521	91,615
Investment Income	5,666	-	-	5,666	1,180
Total Operating Revenues	<u>14,384</u>	<u>574,339</u>	<u>-</u>	<u>588,723</u>	<u>637,275</u>
Operating Expenses					
Program Services	553,776	-	-	553,776	571,651
Management and General	42,223	-	-	42,223	36,843
Fundraising	2,868	-	-	2,868	2,963
Total Operating Expenses	<u>598,867</u>	<u>-</u>	<u>-</u>	<u>598,867</u>	<u>611,457</u>
Change in Net Assets from Operations	<u>(584,483)</u>	<u>574,339</u>	<u>-</u>	<u>(10,144)</u>	<u>25,818</u>
Nonoperating Gains and Losses	-	-	-	-	-
Net Assets Released from Restrictions	<u>586,213</u>	<u>(586,213)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,730	(11,874)	-	(10,144)	25,818
Total Net Assets, Beginning	1,334,354	150,207	-	1,484,561	1,458,743
Total Net Assets, Ending	<u>\$ 1,336,084</u>	<u>\$ 138,333</u>	<u>\$ -</u>	<u>\$ 1,474,417</u>	<u>\$ 1,484,561</u>

The accompanying notes are an integral part of these statements.

Livingston Activity Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2013

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Activity Center</u>		<u>Management</u>		
	<u>Services</u>		<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses					
Salaries and Wages	\$ 237,931	\$	20,917	\$ 2,615	\$ 261,463
Client Payroll	55,514		-	-	55,514
Employee Benefits	67,698		5,887	-	73,585
Bad Debts	-		-	-	-
Cost of Sales - Programs	30,426		-	-	30,426
Depreciation	31,953		2,040	-	33,993
Insurance	49,647		3,169	-	52,816
Miscellaneous	9,848		2,524	253	12,625
Professional Fees	6,440		1,610	-	8,050
Repairs and Maintenance	754		48	-	802
Supplies	-		5,491	-	5,491
Telephone	2,649		169	-	2,818
Utilities	5,765		368	-	6,133
Vehicle Expenses	55,151		-	-	55,151
Total Expenses	\$ 553,776	\$	42,223	\$ 2,868	\$ 598,867

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Comparative Statement of Cash Flows
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (10,144)	\$ 25,818
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,993	43,265
(Gain) Loss on sale of property	-	-
Changes in operating assets and liabilities		
(Increase) decrease in receivables	(5,249)	(28,023)
(Increase) decrease in other assets	(5,204)	(1,765)
Increase (decrease) in accounts payable	(1,255)	(3,771)
Increase (decrease) in accrued payables	(263)	922
Net Cash Provided by (Used by) Operating Activities	<u>11,878</u>	<u>36,446</u>
Cash Flows From Investing Activities		
Purchases of property	(1,010)	(219)
Reclassification of cash to investment	(50,484)	-
Net Cash Provided by (Used) by Investing Activities	<u>(51,494)</u>	<u>(219)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(39,616)	36,227
Cash and Cash Equivalents, Beginning of Year	813,346	777,119
Cash and Cash Equivalents, End of Year	<u>\$ 773,730</u>	<u>\$ 813,346</u>
Supplemental disclosures fo cash flow information		
Cash paid during the year for interest	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

Introduction

Livingston Activity Center, Inc., (the Organization) is a nonprofit corporation organized for the purpose of providing work programs for adult developmentally disabled citizens age 22 and older. The program operates on a fiscal year basis and is open for 240 days each year. The "Statement of Fact & Information" for operation of Livingston Activity Center, Inc., stresses the following:

- Each participant enrolled in the day program is afforded the opportunity to develop his or her independence based on individual strengths and needs. Individualized programs are developed for each participant by a team consisting of the participant, a parent or advocate, a direct care worker and any other person that the participant requests at the time of the team staffing. Individualized programs are updated on an annual basis. Each participant is assigned a qualified instructor/trainer relative to the area of work involvement.
- Active treatment and training is provided to participants five days a week, six hours daily, unless a holiday. Transportation is provided to and from the center according to the established transportation zones.
- Each participant will receive training to promote social skills, self-help skills, community awareness, self-preservation, job safety and job performance, with individual plans monitored for progress on monthly, quarterly, and annual basis, or as needed. Wages are to be paid to participants based on his or her client productivity rating and the established standards for a specific job area, such as mobile yard crew, janitorial crew, recycling crew, ceramic crew, greenhouse crew, or wood shop crew.

1. Summary of Significant Accounting Policies

A. Restrictions on Net Assets

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Basis of Accounting

The financial statements of the Livingston Activity Center, Inc., have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

D. Comparative Information and Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

F. Cash and Cash Equivalents

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Investments

Investments are reported at fair value. Investment income classified as operating revenue consists of interest and dividend income on investments and gains approved for use in operations. All other realized and unrealized gains or losses are classified as non-operating activity and are available to support operations in future years and to offset potential market declines. Investments classified as current are available for operations in the next fiscal year.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

Cash and cash equivalents are valued at their carrying amount due to their short maturities. Investments are reported at fair value based on quoted market prices. Debt is valued at rates currently available to the Organizations for issuances with similar terms and remaining maturities.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Property and Equipment

Purchases of land, buildings, and other property having a unit cost per established guidelines and a useful life of three or more years are capitalized at cost when they occur. Donated assets are capitalized at the estimated fair value at date of receipt. Property under capital leases is amortized over the lease term. Any gain or loss on sale of land, buildings and other property is reported as a non-operating gain or loss on the statement of activities, when they occur. The Organization maintains a threshold level of \$500 or more for capitalization of property and equipment. All capitalized assets, other than land, are depreciated using the straight line method over their estimated useful lives ranging from three to ten years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest expense incurred during a period of construction, less related interest income earned on tax exempt borrowings, is capitalized.

J. Revenue Recognition

Contributions, which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Product or service revenue is generally recognized upon delivery of the product or services to the customer.

Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

K. Contributed Services and Materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

Donated materials are recorded at their fair value at the date of the gift. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

L. Income Taxes

The Livingston Activity Center, Inc. is a not-for-profit organization. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The organization has three years of returns still subject to examination by the Internal Revenue Service as required to be disclosed under FIN 48 paragraph 21.

2. Cash and Cash Equivalents

The bank balance was \$776,159 for the cash and cash equivalents, all held in interest bearing demand deposits within two financial institutions. These deposits were secured at June 30, 2013 by \$250,000 of FDIC insurance at each financial institution, resulting in \$276,159 in uncollateralized deposits at June 30, 2013. The uncollateralized deposits would be considered a "concentration of credit risk" since the Livingston Activity Center retains the risk for uninsured or uncollateralized bank balances.

Noncurrent restricted assets donated for the new building of \$138,333 were included in these deposits. This asset is considered noncurrent, because construction on the building is not expected to occur within twelve months of the date of the statement of financial position.

3. Revenue and Receivables

Receivables at June 30, 2013 were as follows:

	<u>2013</u>
Billings for Work Programs	
Group Homes	\$ 13,434
Other	10,398
Other - IRS Health Insurance Tax Credit	17,635
Medical Billings	31,315
	<u>\$ 72,782</u>

The receivables are deemed to be fully collectible by management. Thus, no allowance for uncollectible amounts is necessary at year end. The IRS Health Insurance Tax Credit represents two years of activity.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

The primary revenues for the Organization come from the following sources in the following approximate percentages.

Sources of funding for the years ending June 30, were as follows:

	<u>2013</u>		<u>2012</u>	
Self Generated				
Group Home Contracts	\$ 23,400	4%	\$ 32,760	5%
Investment Earnings	5,666	1%	1,180	0%
Recycling Programs	705	0%	1,030	0%
Vending Machines	4,297	1%	3,896	1%
Customer Program Revenues				
Flatware	80	0%	30	0%
Janitorial Contracts	38,937	7%	37,857	6%
Tags	135	0%	1,485	0%
Wood Stakes	31,906	5%	29,824	5%
Yards	18,463	3%	22,419	4%
Total Self Generated Funds	<u>123,589</u>	21%	<u>130,481</u>	20%
Public Support				
Contributions	1,130	0%	7,420	1%
Medicaid	453,836	77%	481,811	76%
Other	7,057	1%	6,016	1%
United Way	2,406	0%	10,751	2%
Van Fund	705	0%	796	0%
Total Public Support	<u>465,134</u>	79%	<u>506,794</u>	80%
Total Sources of Funding	<u>\$ 588,723</u>	100%	<u>\$ 637,275</u>	100%

* In the above table, all percentages less than one are shown as zero and rounded.

Supportive service revenue is earned through three forms of Medicaid billings: the new opportunities waiver (N.O.W.), the supports waiver, and the elderly disabled adult waiver. The new opportunities waiver is billed based on *fifteen minute units of service* and can apply to both the activity center and the supported independent living programs. The supports waiver is billed in day units and can only be applied to the work programs at the activity center. The supports waiver provides fewer services than the other waiver forms and is utilized as a bridge to partially meet the needs of clients due to the lengthy waiting list for the other waiver forms on a state-wide basis.

The Activity Center maintains several sources of self-generated revenue through multiple work programs conducted by the clients where revenue earned is put back into the program to fund ongoing supplies and equipment required to continue the program. These work programs include lawn care, producing wood stakes used by surveyors, recycling, and janitorial services. The Activity Center utilizes these forms of self-generated revenue to carry out the mission of the Activity Center while becoming less dependent on external supportive sources.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

4. Property and Equipment

The cost and accumulated depreciation of land, buildings, and other property were as follows at June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Land	\$ 205,525	\$ 205,525
Construction in Progress	37,929	37,929
Buildings and Improvements	438,165	438,165
Furniture and Equipment	42,259	42,521
Vehicles	214,345	214,345
Total cost of assets placed in service	<u>938,223</u>	<u>938,485</u>
Less accumulated depreciation	(371,826)	(339,105)
Property and equipment, net	<u>\$ 566,397</u>	<u>\$ 599,380</u>

Depreciation expense of \$33,993 and \$43,265 was recorded at June 30, 2013 and 2012 respectively.

5. Investments

There was one investments held at fiscal year-end in the amount of 50,484. This certificate of deposit was required as collateral for a line of credit of \$50,000 with a bank as part of new regulatory contract requirements through the Health Standards Bureau licensing for the State of Louisiana. Access to a line of credit is a requirement for similar organizations that work through Medicaid with NOW waivers.

Management is currently holding cash in the tower savings account with the goal of utilizing some of that cash to partially finance the costs of a new building when combined with appropriated funding from the State of Louisiana. Once additional funding has been awarded in future legislative sessions, past potential awards, contingent upon the construction project proceeding, will be combined with the cash held to cover the expected costs of the building.

6. Accrued Vacation

Vacation days are earned at the rate of one day per contract month not to exceed twelve days per contract year. Each employee can carry over any unused leave days not to exceed a maximum of twenty days. Accrued vacation payable was \$2,303 at June 30, 2013.

7. Donated Services

During the fiscal year ended June 30, 2013, various volunteer workers donated their time to the Organization. The value of this contributed time is not reflected in the accompanying financial statements because no objective basis is available to measure its value.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2013

8. Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one grant or contract. Such expenses are allocated as agreed by the funding organizations or, in the absence of an agreement, on the basis which appears most reasonable to the Livingston Activity Center, Inc.

9. Leases

Livingston Activity Center, Inc., leases office space from an affiliated organization at a nominal cost of \$1. The board of directors has also discussed plans to improve and expand facilities for activities provided to consumers.

10. Retirement System

Livingston Activity Center, Inc. offers a 401(k) plan to employees after one year of service, which includes at least 1,000 hours of work. The Center offers a four percent employer contribution, which is not contingent on employee contribution. For the year ended June 30, 2013, employer contributions totaled \$8,848.

11. Restricted Net Assets

Temporarily restricted net assets consist of \$138,333 committed by the Livingston Activity Center, Inc., for construction of a new activity center, per requirements of a cooperative agreement with the State of Louisiana, Division of Administration, Facility Planning and Control. Commitments and construction funding requirements are described further in Footnote 12 – Commitments and Contingencies.

12. Commitments and Contingencies

The Livingston Activity Center, Inc. receives substantial amounts of its support for its programs of providing day services to challenged individuals, from governmental sources. These revenue streams require the Activity Center to furnish habilitation services to clients to be reimbursed at an amount stipulated in each contract. A significant reduction in the level of support, if it were to occur, may have an effect on programs and activities.

At June 30, 2013, the State of Louisiana had committed by cooperative endeavor agreement a total of \$415,000 for the construction of a new activity center. Pursuant to the cooperative endeavor agreement, the Livingston Activity Center, Inc., restricted cash funds of \$138,333 for future construction costs. Total construction costs were estimated at \$787,500, per the 2009-2010 State of Louisiana Capital Outlay Request. The balance of funds for construction is to be provided by the Livingston Activity Center, Inc., either as donations or cash provided by the Livingston Activity Center, Inc., and possibly by a pending request for State funding.

Livingston Activity Center, Inc. was not involved in any outstanding litigation or claims at June 30, 2013.

13. Subsequent Events

These financial statements considered subsequent events through December 19, 2013, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending June 30, 2013.

Supplemental Information

**Livingston Activity Center, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2013**

Schedule 1

Compliance

There were no compliance findings for the fiscal year ending June 30, 2012.

Internal Control

Finding Number: 2012-11 (Segregation of Duties)

Type Finding: Significant Deficiency not Material to the Financial Statements.

Description of Finding: This is a continuing finding characteristic of a small organization, since there are only a few individuals to share key financial duties. We noted within this finding that the Livingston Activity Center, Inc. (the Organization) must demonstrate that activities related to financial management are reasonably reported and accurately reported. We noted in prior audits that the following had been implemented in response to prior audit recommendations:

- Per our review during the audit of the fiscal year ending June 30, 2012, dual signatures on checks continue to be utilized as in past periods.
- The controls noted in the 2011 audit continued. The executive director reviewed bank statements in coordination with bank reconciliations.
- The board reviewed financial information presented at board meetings, but did not conduct any additional unannounced or scheduled reviews of the general ledger. The board did not sign off on any review of bank statements.
- Approved wage rates were approved by the board president and retained in a file.

Based on these actions and the size of the organization, we noted that the Organization is following some of the audit recommendations based on the available resources to segregate some of the duties and implement available mitigating controls.

For the June 30, 2012, we make the following recommendations

- Retain a copy of the financial statements reviewed by the board at meetings in a file. Have at least two members of the board initial their review and have an electronically scanned file of those documents available for inspection during the audit process.
- Have the copy of the wage rates reviewed by the board initialed by the board president and retain in a digital file.
- We reiterate our prior recommendation from 2011, for periodic review of the accounting system's general ledger by a designated board member on an unannounced basis.

Corrective Action Taken: We noted that each of the recommendations, except for the signing of financial statements by two board members and unannounced or schedule reviews of the general ledger, had been implemented. Management responded by indicating that the financials were presented at each of the board meetings and reviewed by the entire board, and operations of the agency are reviewed by a board member on a periodic basis.

Description of Corrective Action Taken: The Livingston Activity Center, Inc. indicated that they will continue to implement the above recommendations, to the extent possible, as part of the ongoing controls process to reduce the inherent audit risks of a small non-profit organization. Since proper segregation of duties is a continuing issue for small agencies, this finding is continued into the current fiscal year.

**Livingston Activity Center, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2013**

Schedule 1

Corrective Action Taken: Partial

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Management Letter

There were no management findings for the fiscal year ending June 30, 2012.

**Livingston Activity Center, Inc.
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2013**

Schedule 2

Compliance

There were no compliance findings for the fiscal year ending June 30, 2013.

Internal Control

Finding Number: 2013-II (Segregation of Duties). Continued from prior year finding number 2012-II.

Type Finding: Significant Deficiency not Material to the Financial Statements.

Criteria: The Livingston Activity Center, Inc. (the Organization) must demonstrate that activities related to financial management are reasonably reported and accurately reported. This finding is continued from prior audits.

Condition: With all smaller agencies, there will be limited personnel for recording receipts and disbursements for financial transactions. The Organization has responded by involving the Executive Director in review and approval of expenditure transactions, review of bank reconciliations, and approval of key financial transactions, in addition to increased reporting and review by the board of directors. An outside accountant is also involved in year-end review and adjustment of financial records.

Effect: Having a limited number of personnel increases the need to closely review financial transactions.

Cause: This is characteristic of a small agency.

Recommendations: Recommendations to-date are recapped below:

- Continue to require dual signatures on checks as in past periods.
- The executive director should continue to review bank statements in coordination with bank reconciliations.
- The board should review financial information presented at board meetings, and periodically review bank reconciliations and financial information on-site on a periodic basis.
- All wage increases or new hires must be approved by the board president and retained in a file for audit review. Have the copy of the wage rates reviewed by the board initialed by the board president and retain in a digital file.
- We also recommend review of the accounting system's general ledger by a designated board member on an unannounced basis.

We also recommend that the Livingston Activity Center, Inc. continue its policy for pre-approval of expenditure transactions by the Executive Director.

Response by Management: We will continue to implement the above recommendations as part of our ongoing controls process to reduce the inherent audit risks of a small non-profit organization.

**Livingston Activity Center, Inc.
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2013**

Schedule 2

Corrective Action Taken: Partial

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Management Letter

There were no management findings for the fiscal year ending June 30, 2013.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the
Livingston Activity Center, Inc.
Walker, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Livingston Activity Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Livingston Activity Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston Activity Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Livingston Activity Center, Inc.
Page 2

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency which is described in the *Corrective Action Plan for Current Year Audit Findings* as finding 2013-11.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston Activity Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Livingston Activity Center, Inc.'s Response to Findings

Livingston Activity Center, Inc.'s response to the findings identified in our audit, including response to Finding 2013-11, is described in the accompanying *Corrective Action Plan for Current Year Audit Findings*. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information of management, federal awarding and pass-through entities and the Louisiana Legislative Auditor and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Bruce Harrell & Company, CPAs
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December 19, 2013